

<p style="text-align: center;">USDA-RUS</p> <p style="text-align: center;">OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</p>	<p><i>This data will be used by RUS to review your financial situation. Your response is required by 7 U.S.C. 901 et seq. and, subject to federal laws and regulations regarding confidential information, will be treated as confidential.</i></p> <p>BORROWER NAME</p> <p style="text-align: center;">Monroe Telephone Company</p> <p style="text-align: center;">(Prepared with Audited Data)</p>	
<p><i>INSTRUCTIONS-Submit report to RUS within 30 days after close of the period. For detailed instructions, see RUS Bulletin 1744-2. Report in whole dollars only.</i></p>	<p>PERIOD ENDING</p> <p style="text-align: center;">December, 2013</p>	<p>BORROWER DESIGNATION</p> <p style="text-align: center;">OR0537</p>

CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY 7 CFR PART 1788, CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1788 OF 7CFR CHAPTER XVII

(Check one of the following)

☒ All of the obligations under the RUS loan documents have been fulfilled in all material respects.

☐ There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in the Telecom Operating Report

John Dillard

3/28/2014

DATE

PART A. BALANCE SHEET

ASSETS	BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY	BALANCE PRIOR YEAR	BALANCE END OF PERIOD
CURRENT ASSETS			CURRENT LIABILITIES		
1. Cash and Equivalents	93,773	91,535	25. Accounts Payable	306,419	116,956
2. Cash-RUS Construction Fund	8	8	26. Notes Payable		
3. Affiliates:			27. Advance Billings and Payments		
a. Telecom, Accounts Receivable			28. Customer Deposits		
b. Other Accounts Receivable			29. Current Mat. L/T Debt	367,356	379,094
c. Notes Receivable			30. Current Mat. L/T Debt-Rur. Dev.		
4. Non-Affiliates:			31. Current Mat.-Capital Leases		
a. Telecom, Accounts Receivable	32,170	38,498	32. Income Taxes Accrued		
b. Other Accounts Receivable	129,933	164,910	33. Other Taxes Accrued		
c. Notes Receivable			34. Other Current Liabilities	45,857	58,946
5. Interest and Dividends Receivable			35. Total Current Liabilities (25 thru 34)	719,632	554,996
6. Material-Regulated	16,923	16,923	LONG-TERM DEBT		
7. Material-Nonregulated			36. Funded Debt-RUS Notes	1,189,918	906,079
8. Prepayments	5,080	7,368	37. Funded Debt-RTB Notes	357,199	287,801
9. Other Current Assets			38. Funded Debt-FFB Notes		
10. Total Current Assets (1 Thru 9)	277,887	319,242	39. Funded Debt-Other	1,139,688	1,178,146
NONCURRENT ASSETS			40. Funded Debt-Rural Develop. Loan		
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt		
a. Rural Development	11,258	0	42. Reacquired Debt		
b. Nonrural Development			43. Obligations Under Capital Lease		
12. Other Investments			44. Adv. From Affiliated Companies		
a. Rural Development			45. Other Long-Term Debt	7,408	1,158
b. Nonrural Development	61,048	53,212	46. Total Long-Term Debt (36 thru 45)	2,694,213	2,373,184
13. Nonregulated Investments	512,237	447,264	OTHER LIAB. & DEF. CREDITS		
14. Other Noncurrent Assets	89,000	88,400	47. Other Long-Term Liabilities		
15. Deferred Charges	136,026	126,310	48. Other Deferred Credits	3,626,812	3,405,448
16. Jurisdictional Differences			49. Other Jurisdictional Differences		
17. Total Noncurrent Assets (11 thru 16)	809,569	715,186	50. Total Other Liabilities and Deferred Credits (47 thru 49)	3,626,812	3,405,448
PLANT, PROPERTY, AND EQUIPMENT			EQUITY		
18. Telecom, Plant-in-Service	7,289,567	12,340,070	51. Cap. Stock Outstand. & Subscribed	18,699	18,699
19. Property Held for Future Use			52. Additional Paid-in-Capital	0	0
20. Plant Under Construction	5,310,339	128,923	53. Treasury Stock		
21. Plant Adj., Nonop. Plant & Goodwill			54. Membership and Cap. Certificates		
22. Less Accumulated Depreciation	5,556,747	6,050,507	55. Other Capital		
23. Net Plant (18 thru 21 less 22)	7,043,159	6,418,486	56. Patronage Capital Credits		
24. TOTAL ASSETS (10+17+23)			57. Retained Earnings or Margins	1,071,259	1,100,587
			58. Total Equity (51 thru 57)	1,089,958	1,119,286
			59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)		
	8,130,615	7,452,914		8,130,615	7,452,914

Total Equity = 15.02% of Total Assets

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		PERIOD ENDING	
INSTRUCTIONS- See RUS Bulletin 1744-2		December, 2013	
PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS			
ITEM		PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues		180,550	170,121
2. Network Access Services Revenues		1,522,613	1,494,134
3. Long Distance Network Services Revenues			
4. Carrier Billing and Collection Revenues		327,302	93,170
5. Miscellaneous Revenues		16,265	340,128
6. Uncollectible Revenues		0	0
7. Net Operating Revenues (1 thru 5 less 6)		2,046,730	2,097,553
8. Plant Specific Operations Expense		729,962	738,847
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)		35,257	6,413
10. Depreciation Expense		410,820	364,987
11. Amortization Expense			
12. Customer Operations Expense		183,980	157,117
13. Corporate Operations Expense		419,689	402,906
14. Total Operating Expenses (8 thru 13)		1,779,708	1,670,270
15. Operating Income or Margins (7 less 14)		267,022	427,283
16. Other Operating Income and Expenses			
17. State and Local Taxes		13,600	23,800
18. Federal Income Taxes		42,600	77,000
19. Other Taxes		78,580	78,026
20. Total Operating Taxes (17+18+19)		134,780	178,826
21. Net Operating Income or Margins (15+16-20)		132,242	248,457
22. Interest on Funded Debt		133,021	120,163
23. Interest Expense - Capital Leases			
24. Other Interest Expense			
25. Allowance for Funds Used During Construction			
26. Total Fixed Charges (22+23+24-25)		133,021	120,163
27. Nonoperating Net Income		135,501	82,321
28. Extraordinary Items			
29. Jurisdictional Differences			
30. Nonregulated Net Income		(165,098)	(199,051)
31. Total Net Income or Margins (21+27+28+29+30-26)		(30,376)	11,564
32. Total Taxes Based on Income			
33. Retained Earnings or Margins Beginning-of-Year		1,101,635	1,089,958
34. Miscellaneous Credits Year-to-Date			17,764
35. Dividends Declared (Common)			
36. Dividends Declared (Preferred)			
37. Other Debits Year-to-Date			
38. Transfers to Patronage Capital			
39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]		1,071,259	1,119,286
40. Patronage Capital Beginning-of-Year			
41. Transfers to Patronage Capital			
42. Patronage Capital Credits Retired			
43. Patronage Capital End-of-Year (40+41-42)		0	0
44. Annual Debt Service Payments		542,559	516,765
45. Cash Ratio [(14+20-10-11) / 7]		0.7347	0.7075
46. Operating Accrual Ratio [(14+20+26) / 7]		1.0004	0.9388
47. TIER [(31+26) / 26]		0.7716	1.0962
48. DSCR [(31+26+10+11) / 44]		0.9464	0.9612

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INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

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Part C. SUBSCRIBER (ACCESS LINE), ROUTE MILE, & HIGH SPEED DATA INFORMATION

EXCHANGE	1. RATES		2. SUBSCRIBERS (ACCESS LINES)			3. ROUTE MILES	
	B-1	R-1	BUSINESS	RESIDENTIAL	TOTAL	TOTAL (including fiber)	FIBER
	(a)	(b)	(a)	(b)	(c)	(a)	(b)
Monroe	16.99	11.69	153	641	794	70.15	27.24
MobileWireless					0		
Route Mileage Outside Exchange Area						0.00	0.00
Total			153	641	794	70.15	27.24
No. Exchanges	1						

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Part C. SUBSCRIBER (ACCESS LINE), ROUTE MILE, & HIGH SPEED DATA INFORMATION

4. BROADBAND SERVICE

Details on Least Expensive Broadband Service

EXCHANGE	No. Access Lines with BB available (a)	No Of Broadband Subscribers (b)	Number Of Subscribers (c)	Advertised Download Rate (Kbps) (d)	Advertised Upload Rate (Kbps) (e)	Price Per Month (f)	Standalone/Pckg (f)	Type Of Technology (g)
Monroe	794	531	355	1,500	768	34.95	StandAlone	DSL
Total	794	531						

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			PERIOD ENDING December, 2013		
INSTRUCTIONS- See RUS Bulletin 1744-2					
PART D. SYSTEM DATA					
1. No. Plant Employees	2. No. Other Employees	3. Square Miles Served	4. Access Lines per Square Mile	5. Subscribers per Route Mile	
4	7	50	15.88	11.32	
PART E. TOLL DATA					
1. Study Area ID Code(s) a. 802008 b. _____ c. _____ d. _____ e. _____ f. _____ g. _____ h. _____ i. _____ j. _____		2. Types of Toll Settlements (Check one) <div style="display: flex; justify-content: space-between;"> <div> Interstate: <input type="checkbox"/> Average Schedule Intrastate: <input type="checkbox"/> Average Schedule </div> <div> <input checked="" type="checkbox"/> Cost Basis <input checked="" type="checkbox"/> Cost Basis </div> </div>			
PART F. FUNDS INVESTED IN PLANT DURING YEAR					
1. RUS, RTB, & FFB Loan Funds Expended					87,312
2. Other Long-Term Loan Funds Expended					
3. Funds Expended Under RUS Interim Approval					
4. Other Short-Term Loan Funds Expended					
5. General Funds Expended (Other than Interim)					
6. Salvaged Materials					
7. Contribution in Aid to Construction					178,307
8. Gross Additions to Telecom. Plant (1 thru 7)					265,619
PART G. INVESTMENTS IN AFFILIATED COMPANIES					
INVESTMENTS (a)	CURRENT YEAR DATA		CUMULATIVE DATA		
	Investment This Year	Income/Loss This Year	Cumulative Investment To Date	Cumulative Income/Loss To Date	Current Balance
	(b)	(c)	(d)	(e)	(f)
1. Investment in Affiliated Companies - Rural Development	6,127	(17,385)	854,699	(854,699)	0
2. Investment in Affiliated Companies - Nonrural Development					

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PART H. CURRENT DEPRECIATION RATES

Are corporation's depreciation rates approved by the regulatory authority with jurisdiction over the provision of telephone services? (Check one)

☒

YES

☐

NO

EQUIPMENT CATEGORY	DEPRECIATION RATE
1. Land and support assets - Motor Vehicles	10.20%
2. Land and support assets - Aircraft	
3. Land and support assets - Special purpose vehicles	
4. Land and support assets - Garage and other work equipment	7.50%
5. Land and support assets - Buildings	5.00%
6. Land and support assets - Furniture and Office equipment	6.00%
7. Land and support assets - General purpose computers	15.00%
8. Central Office Switching - Digital	7.80%
9. Central Office Switching - Analog & Electro-mechanical	
10. Central Office Switching - Operator Systems	
11. Central Office Transmission - Radio Systems	
12. Central Office Transmission - Circuit equipment	12.80%
13. Information origination/termination - Station apparatus	11.45%
14. Information origination/termination - Customer premises wiring	
15. Information origination/termination - Large private branch exchanges	
16. Information origination/termination - Public telephone terminal equipment	
17. Information origination/termination - Other terminal equipment	
18. Cable and wire facilities - Poles	9.50%
19. Cable and wire facilities - Aerial cable - Metal	5.80%
20. Cable and wire facilities - Aerial cable - Fiber	
21. Cable and wire facilities - Underground cable - Metal	
22. Cable and wire facilities - Underground cable - Fiber	
23. Cable and wire facilities - Buried cable - Metal	6.60%
24. Cable and wire facilities - Buried cable - Fiber	4.80%
25. Cable and wire facilities - Conduit systems	4.80%
26. Cable and wire facilities - Other	

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		PERIOD ENDED December, 2013	
INSTRUCTIONS – See help in the online application.			
PART I – STATEMENT OF CASH FLOWS			
1.	Beginning Cash (Cash and Equivalents plus RUS Construction Fund)		93,781
CASH FLOWS FROM OPERATING ACTIVITIES			
2.	Net Income		11,564
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities			
3.	Add: Depreciation		364,987
4.	Add: Amortization		0
5.	Other (Explain) Non-reg depreciation, recognition of deferred ARRA BIP revenue, change in deferred taxes		108,660
Changes in Operating Assets and Liabilities			
6.	Decrease/(Increase) in Accounts Receivable		(41,305)
7.	Decrease/(Increase) in Materials and Inventory		0
8.	Decrease/(Increase) in Prepayments and Deferred Charges		7,428
9.	Decrease/(Increase) in Other Current Assets		0
10.	Increase/(Decrease) in Accounts Payable		(189,463)
11.	Increase/(Decrease) in Advance Billings & Payments		0
12.	Increase/(Decrease) in Other Current Liabilities		13,089
13.	Net Cash Provided/(Used) by Operations		274,960
CASH FLOWS FROM FINANCING ACTIVITIES			
14.	Decrease/(Increase) in Notes Receivable		0
15.	Increase/(Decrease) in Notes Payable		0
16.	Increase/(Decrease) in Customer Deposits		0
17.	Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)		(309,291)
18.	Increase/(Decrease) in Other Liabilities & Deferred Credits		(221,364)
19.	Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital		0
20.	Less: Payment of Dividends		0
21.	Less: Patronage Capital Credits Retired		0
22.	Other (Explain) additional paid in capital, gross up BIP grant activity		512,321
23.	Net Cash Provided/(Used) by Financing Activities		(18,334)
CASH FLOWS FROM INVESTING ACTIVITIES			
24.	Net Capital Expenditures (Property, Plant & Equipment)		130,913
25.	Other Long-Term Investments		84,067
26.	Other Noncurrent Assets & Jurisdictional Differences		600
27.	Other (Explain) recognition of regulated BIP grant revenues, proceeds from redemption of other investments		(474,444)
28.	Net Cash Provided/(Used) by Investing Activities		(258,864)
29.	Net Increase/(Decrease) in Cash		(2,238)
30.	Ending Cash		91,543

Revision Date 2010

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION OR0537
INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2013
NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	

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INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2013
CERTIFICATION LOAN DEFAULT NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	